

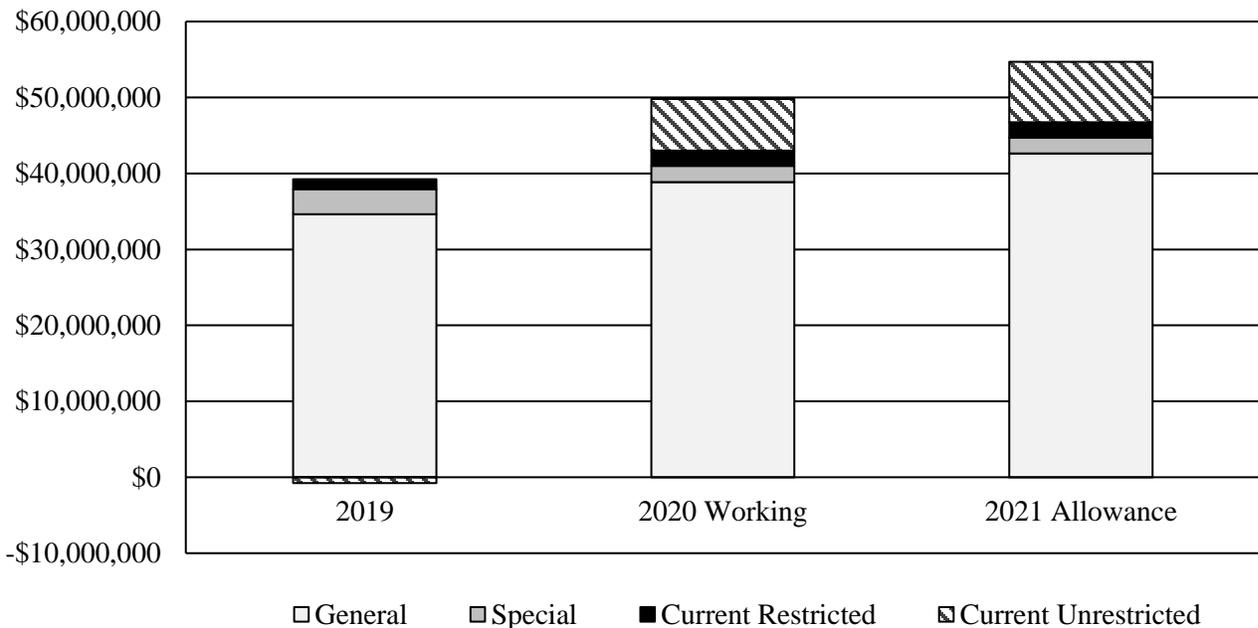
R30B36
University System of Maryland Office
University System of Maryland

Executive Summary

The University System of Maryland Office works closely with the University System of Maryland’s (USM) 12 institutions and 3 regional higher education centers to leverage their collective expertise and resources, share best practices, increase the system’s effectiveness and efficiency, and advance USM’s mission to improve the quality of life in Maryland.

Operating Budget Summary

Fiscal 2021 Budget Increases by \$4.9 Million, or 9.8%, to \$54.7 Million



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

- The fiscal 2020 adjusted working appropriation includes a general fund decrease of \$319,465 and a corresponding increase in the Higher Education Investment Funds (HEIF) of the same amount based on higher than anticipated HEIF revenue.

Key Observations

- The number of Maryland community college transfers to USM institutions has remained fairly level for the past five fiscal years with the fiscal 2019 total falling 60 students under the average over that five year period, while transfers from other institutions, *i.e.*, other Maryland public and private four-year institutions and those from out-of-state, have increased 120% over the same period.
- From fiscal 2014 to 2019, enrollment in the Universities at Shady Grove (USG) programs has dropped 22.0% and, despite the doubling of its general fund appropriation from fiscal 2018 to 2020, USG has faced a deficit situation in fiscal 2019 and 2020.

Operating Budget Recommended Actions

| | <u>Funds</u> |
|--|---------------------|
| 1. Reduce funds to be used by the University System of Maryland Office on Workforce Development Initiatives at the University System of Maryland at Southern Maryland. | \$ 300,000 |
| 2. Reduce funding to the University System of Maryland Office. | 600,000 |
| Total Reductions | \$ 900,000 |

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce fiscal 2020 general funds for the University System of Maryland at Southern Maryland by \$500,000 for Workforce Development Initiatives.

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Operating Budget Analysis

Program Description

The University System of Maryland Office (USMO) is the staff agency to the University System of Maryland (USM) Board of Regents. The office advocates on behalf of the 12 institutions and 3 regional higher education centers, facilitates collaboration and efficiencies among institutions, and provides information to the public. USMO includes the Chancellor, executive, and administrative staff and the central services of budget, accounting, auditing, information technology, capital planning, advancement, and public government relations.

The mission of USMO is to improve the quality of life for the people of Maryland by providing a comprehensive range of high quality, accessible, and affordable educational opportunities; engaging in research and scholarship that expand the boundaries of current knowledge; and providing knowledge-based programs and services that are responsive to the needs of the citizens of the state and the nation.

The goals of USMO are to:

- offer expansive access to affordable, high-quality educational opportunities;
- perform groundbreaking research;
- instill a culture of innovation and entrepreneurship;
- promote economic growth and workforce development;
- provide vital services to communities and individuals; and
- partner with business, governmental, nonprofits, and organizations to improve quality of life.

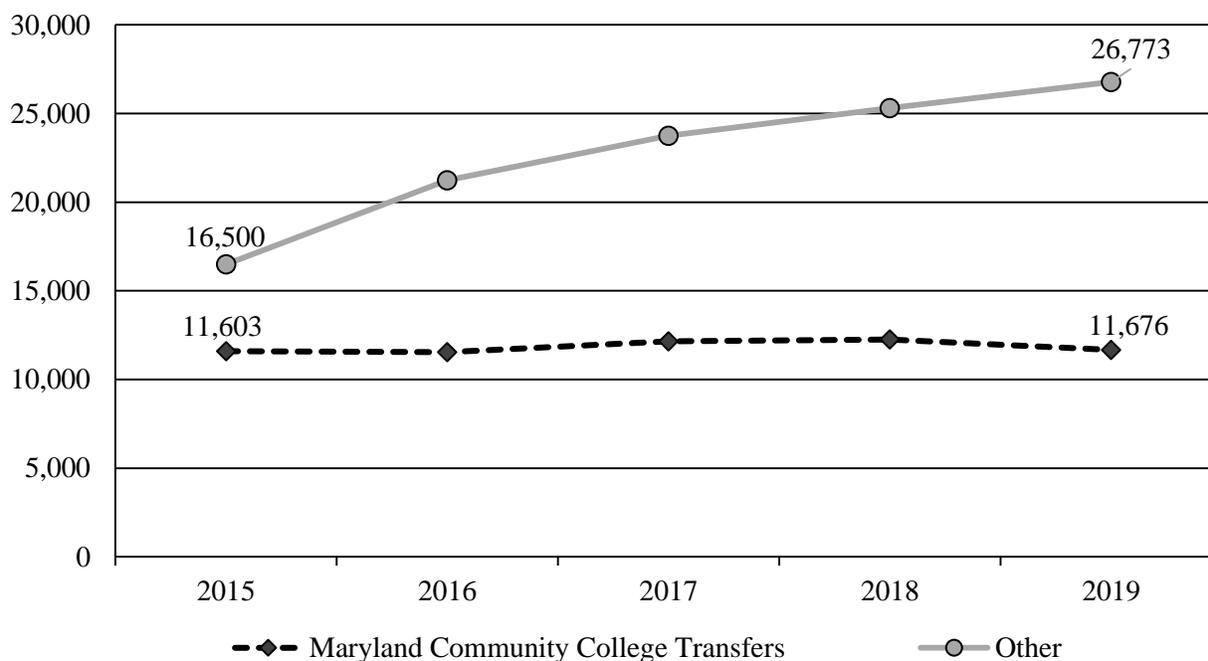
Performance Analysis: Managing for Results

1. Maryland Community College Transfers

USMO tracks the number of community college students transferring to USM institutions as a measure of meeting the goal of offering expansive access to affordable, high-quality educational opportunities to USM institutions. Increasing the number of transfers is a key component to meeting

the State’s degree completion goal that 55% of Maryland residents ages 25 to 64 years old will hold at least an associate’s degree by 2025. After growing to a high of 12,256 in fiscal 2018, the number of Maryland community college transfers fell 4.7% to 11,676 in fiscal 2019, as shown in **Exhibit 1**. This can be attributed to the declining enrollment at the community colleges statewide.

Exhibit 1
Transfer Students to the University System of Maryland Institutions
Fiscal 2015-2019



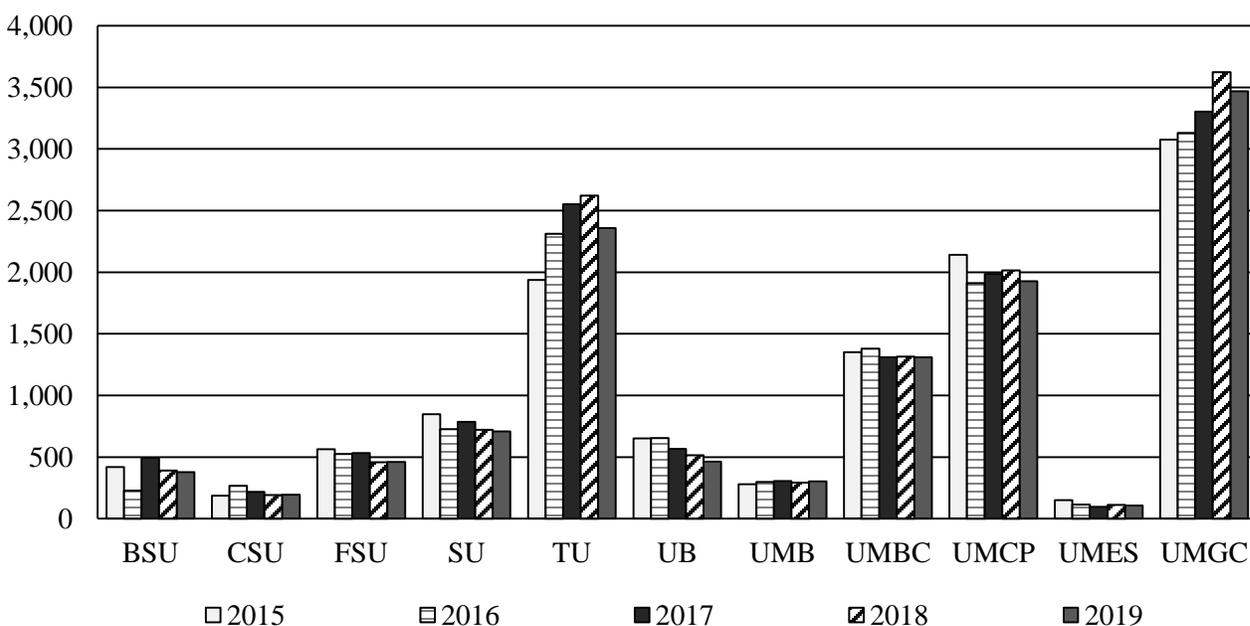
Source: University System of Maryland Transfer Report

Meanwhile, the number of transfers from other institutions *i.e.*, other Maryland public and private four-year institutions (including transfers within USM) and those from out-of-state, increased for a sixth consecutive year, to 26,773, an increase of 5.8%. This is primarily related to changes in how the University of Maryland Global Campus (UMGC) reports its stateside enrollment due to revisions in federal reporting requirements. Previously, students enrolled in UMGC online courses managed by the European or Asian offices were not included in the stateside numbers. Now all online courses are administered by the Adelphi office, and the students are included in the stateside numbers.

Taken together, in fiscal 2015, 28,103 students transferred to a USM institution, representing 22.9% of all undergraduate students. In fiscal 2019, 38,449 students transferred to a USM institution, representing 29.0% of all undergraduate students.

Five community colleges accounted for 68.4% of transfers to USM institutions in fiscal 2019 – Montgomery College, the Community College of Baltimore County, Anne Arundel Community College, Prince George’s Community College, and Howard Community College. Of the 11,676 community college transfers, 77.6% enrolled at one of four institutions – UMGC; Towson University (TU), the University of Maryland, College Park (UMCP); and the University of Maryland Baltimore County. As shown in **Exhibit 2**, from fiscal 2018 to 2019, three institutions – Coppin State University (CSU), Frostburg State University (FSU), and the University of Maryland, Baltimore (UMB) – experienced increases in transfers from community colleges. Four institutions have experienced growth from community college transfer students from fiscal 2015 to 2019: CSU, TU, UMB, and UMGC at 4.8%, 21.7%, 8.2%, and 12.7%, respectively.

Exhibit 2
Institutions Receiving Maryland Community College Transfer Students
Fiscal 2015-2019



BSU: Bowie State University
 CSU: Coppin State University
 FSU: Frostburg State University
 SU: Salisbury University
 TU: Towson University
 UB: University of Baltimore

UMB: University of Maryland, Baltimore Campus
 UMBC: University of Maryland Baltimore County
 UMCP: University of Maryland College Park Campus
 UMES: University of Maryland Eastern Shore
 UMGC: University of Maryland Global Campus

Source: University System of Maryland

Fiscal 2020 Working Budget

Exhibit 3 shows the budget changes for unrestricted funds by program from fiscal 2019 to 2020. Academic support increased by 38.7%, or \$7.8 million. A majority of that funding, \$6.2 million, was for Workforce Development Initiative (WDI) programs at the three Regional Higher Education Centers (RHEC). The Universities at Shady Grove (USG) received the majority of the funding, \$5.0 million, while the University System of Maryland at Southern Maryland (USMSM) received \$1.0 million, and the University System of Maryland at Hagerstown (USMH) received \$0.2 million.

Exhibit 3
Budget Changes for Unrestricted Funds by Program
Fiscal 2019-2020
(\$ in Thousands)

| | 2019 Actual | 2020 Adjusted Working | 2019-2020 \$ Change | 2019-2021 % Change |
|--|------------------------|----------------------------------|--------------------------------|-------------------------------|
| Expenditures | | | | |
| Academic Support | \$20,159 | \$27,951 | \$7,792 | 38.7% |
| Institutional Support | 17,019 | 19,854 | \$2,836 | 16.7% |
| General Salary Increase | | \$113 | \$454 | |
| Total Expenditures | \$37,177 | \$47,919 | \$11,082 | 28.9% |
| Revenues | | | | |
| State Funds ¹ | \$37,961 | \$40,996 | \$3,035 | 8.0% |
| Other | 6,071 | 7,207 | \$1,136 | 18.7% |
| Total E&G Revenues | \$44,032 | \$48,203 | \$4,171 | 9.5% |
| Transfer (to)/from Fund Balance | -\$6,855 | -\$284 | \$6,570 | -95.9% |
| Available Unrestricted Revenues | \$37,177 | \$47,919 | \$10,741 | 28.9% |

E&G: Education and General

¹ State funds include general funds and Higher Education Investment Funds.

Source: Governor's Fiscal 2021 Budget Books; Department of Legislative Services

Academic support funding on non-RHEC, or USMO administrative functions, totaled \$1.6 million and was utilized for USG Biomedical Sciences and Engineering facilities operating expenses (\$0.4 million); USMSM formula funding increases (\$20,000); the Maryland Center for Computing Education (MCCE), a program designed to expand access to high-quality pre-kindergarten through 12th grade computing education (\$0.5 million); and the remainder spent on other programming (\$0.3 million).

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Institutional support increased by 16.7%, or \$2.8 million, as a result of non-state increases in salaries and operating due to the Maryland Research and Education Network (MDREN) totaling \$1.4 million, other general salary increases (\$0.7 million), Maryland Higher Education Commission audit costs (\$0.1 million), and cost containment actions in anticipation of legislative reduction (\$0.6 million).

In fiscal 2019, there was a \$6.9 million transfer to fund balance. This total included \$4.5 million from MCCE as \$5 million was allocated but only \$500,000 utilized, a planned transfer of \$0.3 million to the fund balance, \$1.5 million as a result of cost containment and salary savings, and \$0.6 million from non-state support consortia, such as MDREN and the Maryland Education Enterprise Consortium, which had estimated budgets at the beginning of the fiscal year that were not fully utilized.

Fiscal 2021 Proposed Budget

As shown in **Exhibit 4**, the adjusted general fund allowance for fiscal 2021 is 9.7%, or \$3.8 million, higher than the adjusted fiscal 2020 working appropriation. The Higher Education Investment Fund decreases 1.9%, or \$42,000, resulting in an overall growth in State funds of 9.1%.

Exhibit 4
Proposed Budget
University System of Maryland Office
(\$ in Thousands)

| | <u>2019</u> <u>Actual</u> | <u>2020</u> <u>Working</u> | <u>2021</u> <u>Allowance</u> | <u>2020-2021</u> <u>Change</u> | <u>% Change</u> <u>Prior Year</u> |
|---------------------------------|--|---|---|---|--|
| General Funds | \$34,616 | \$38,748 | \$42,195 | \$3,447 | 8.9% |
| General Salary Increase | | \$113 | \$454 | 340 | |
| Total General Funds | \$34,616 | \$38,862 | \$42,649 | \$3,787 | 9.7% |
| HEIF | \$3,345 | \$2,135 | \$2,093 | -\$42 | -1.9% |
| Total State Funds | \$37,961 | \$40,996 | \$44,742 | \$3,746 | 9.1% |
| Other Unrestricted Funds | -\$784 | \$6,809 | \$7,941 | \$1,132 | 16.6% |
| Total Unrestricted Funds | \$37,177 | \$47,805 | \$52,683 | \$4,878 | 10.2% |
| Restricted Funds | \$1,276 | \$2,000 | \$2,000 | \$0 | 0.0% |
| Total Funds | \$38,453 | \$49,805 | \$54,683 | \$4,878 | 9.8% |

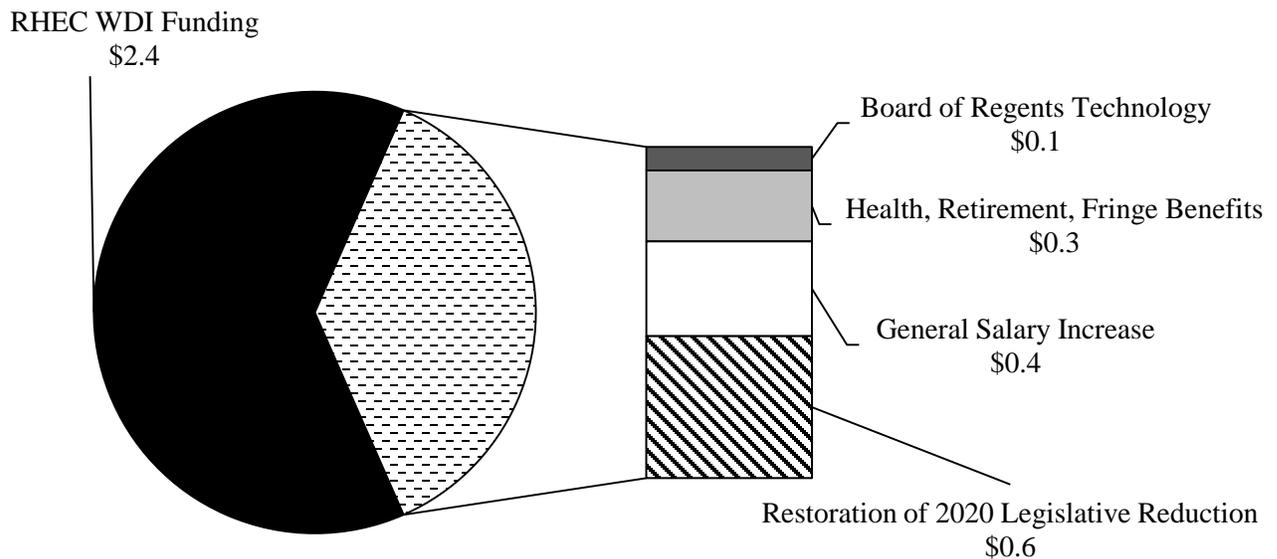
HEIF: Higher Education Investment Fund

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Source: Governor's Fiscal 2021 Budget Books; Department of Legislative Services

The fiscal 2021 general fund allowance includes an increase of \$2.4 million for RHEC WDI funding and \$1.4 million in USMO administrative funding, as shown in **Exhibit 5**. RHEC WDI funding includes \$1.5 million for a UMB/USG nursing program expansion, \$0.6 million for USMSM debt service on equipment for the new facility, and \$0.3 million for the UMCP/USG Cybersecurity iSchool Programs. Administrative cost increases include a \$0.6 million restoration of a fiscal 2020 legislative reduction, \$0.7 million for personnel costs including the general salary increase, and \$0.1 million for additional Board of Regents (BOR) costs to ensure BOR meetings are live streamed on the Internet.

Exhibit 5
Proposed USMO State Fund Budget Allocation – New Funding
Fiscal 2021
(\$ Millions)



RHEC: Regional Higher Education Center
USMO: The University System of Maryland Office
WDI: Workforce Development Initiative

Source: University System of Maryland

Personnel Data

| | <u>FY 19</u> | <u>FY 20</u> | <u>FY 21</u> | <u>FY 20-21</u> |
|------------------------|----------------------|-----------------------|-------------------------|------------------------|
| | <u>Actual</u> | <u>Working</u> | <u>Allowance</u> | <u>Change</u> |
| Regular Positions | 110.00 | 110.00 | 111.00 | 1.00 |
| Contractual FTEs | <u>8.50</u> | <u>5.00</u> | <u>5.00</u> | <u>0.00</u> |
| Total Personnel | 118.50 | 115.00 | 116.00 | 1.00 |

Vacancy Data: Regular Positions

| | | |
|---|-------|-------|
| Turnover and Necessary Vacancies, Excluding New Positions | 5.53 | 4.98% |
| Positions and Percentage Vacant as of 12/31/19 | 11.80 | 10.7% |
| Vacancies Above Turnover | 6.27 | 5.72% |

- The allowance provides for 1 new regular position that will be responsible for RHEC oversight.

Issues

1. The Universities at Shady Grove

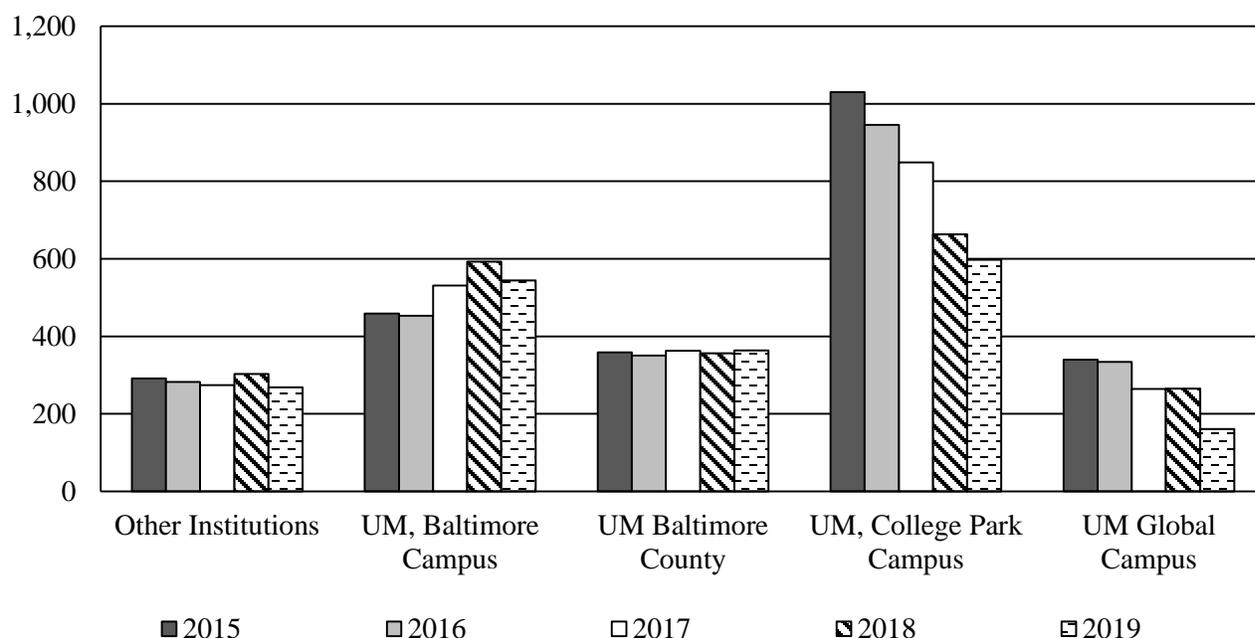
Over the past few years, there have been concerns about the financial sustainability of USG. General funds (including Enrollment Initiative Funds from the participating institutions) comprise an increasingly larger portion of its State-supported budget, growing from 84.0% in fiscal 2018 to 91.9% in fiscal 2021 while institutions continue to subsidize programs offered at the center. In addition, a steady enrollment decline has led to concerns regarding whether the new Biomedical Sciences and Engineering building will be fully utilized. These concerns led to the *Joint Chairmen’s Report* (JCR) in 2018 and 2019 requiring UMCP and USMO, respectively, to submit plans to ensure the long-term sustainability of USG. The reports largely focused on changes to leadership and revenue stability, including swapping institutional and student fee revenues with general funds. Neither report fundamentally addressed how to stabilize USG finances or enrollment.

Enrollment

USG programs experienced their highest enrollment of 2,479.4 full-time equivalent students (FTES) in fiscal 2015. By fiscal 2019, enrollment had fallen 22.0%, or 544.6 FTES, to 1,924.8 FTES. Some of this decline may be attributed to a 12.7% decline in enrollment at Montgomery College, the primary feeder institution for programs offered at USG. However, this does not explain the enrollment decline in graduate programs.

As shown in **Exhibit 6**, between 2015 and 2019, enrollment in UMCP’s programs fell 42.0%, or 433.0 FTES. According to UMCP, while undergraduate enrollment has remained fairly stable, the decline is related to its graduate programs: the Business School no longer offering its Master of Science program; the College of Education is offering instruction in the public schools in Montgomery County; and more masters students are turning to online programs for their degrees. While UMCP still has the most students enrolled in its programs, it accounts for 30.9% of the total enrollment in fiscal 2019 compared to 41.6% in fiscal 2015. The drop in UMGC’s enrollment of 179.1 FTES, or 52.7%, over the same period can be also be attributed to students enrolling in online programs.

Exhibit 6
Universities at Shady Grove Enrollment by Institution
Fiscal 2015-2019



UM: University of Maryland

Source: University System of Maryland

Enrollment in UMB’s programs increased 29.3% from fiscal 2015 to 2018 due to growth in its undergraduate nursing program and masters in social work. However, an enrollment decline of 8.2% in fiscal 2019 reflects the impact of the phasing out of the Doctor of Pharmacy program.

In order to stabilize and grow enrollment, USG and the partner institutions need to expand the pipeline of students by building partnerships with other community colleges in the region such as Prince George’s and Frederick community colleges. It should be noted that the 2019 JCR report focused on USG strengthening its partnership with Montgomery College.

Budget

Institutions offering programs at USG are financially responsible for the cost of instruction. Thus, declines in enrollment affect the amount institutions need to subsidize programs. In general, the purpose of regional centers is to provide space for institutions to deliver programs; therefore, overhead expenditures are minimal compared to other USM’s four-year institutions. It should be noted while

institutions charge students only tuition for programs at USG, USG does charge mandatory fees totaling \$738 per student in fiscal 2020 for facilities and for student-related services. In fiscal 2020, revenues from these fees total \$1.2 million, comprising 4.1% of total revenues. In theory, under this funding structure, changes in enrollment would have minimal impact on USG’s budget and should cushion USG from changes in enrollment. However, as shown in **Exhibit 7**, despite State funding more than doubling, from fiscal 2018 to 2020, USG amassed a deficit of \$1.5 million and \$0.6 million in fiscal 2019 and 2020, respectively. USG will use fund balance transfers to cover the shortfall. USMO has been working with USG to reduce costs and have a balanced budget in fiscal 2021.

Exhibit 7
Universities at Shady Grove Operating Budgets
Fiscal 2018-2021
(\$ in Thousands)

| | <u>2018</u> | <u>2019</u> | <u>Working 2020</u> | <u>Allowance 2021</u> |
|---|-----------------|-----------------|-------------------------|---------------------------|
| Expenditures | | | | |
| Salaries and Wages | \$9,917 | \$10,578 | \$11,610 | \$11,060 |
| Operating Expenditures | 8,240 | 15,424 | 18,707 | 20,394 |
| Total Expenditures | \$18,157 | \$26,002 | \$30,316 | \$31,454 |
| Revenues | | | | |
| State Funds | \$10,780 | \$16,473 | \$22,127 | \$23,967 |
| Share of Enrollment Funding Initiative ¹ | 3,265 | 3,263 | 3,263 | 3,263 |
| Classroom and Office Fees | 788 | 714 | 743 | 817 |
| Student Fees (Activity and Facility) | 1,298 | 1,203 | 1,223 | 1,100 |
| Student Technology Fees | 291 | 255 | 306 | 275 |
| Other Usage Revenue | 307 | 314 | 203 | 203 |
| Non-state Support | 3,472 | 3,458 | 3,031 | 2,930 |
| Total Revenues | \$18,903 | \$24,477 | \$29,672 | \$31,454 |
| Surplus/Deficit | \$746 | -\$1,526 | -\$644 | \$0 |

¹Since Enrollment Funding Initiative funds are general funds, the \$3.3 million charged to the institutions are considered general funds.

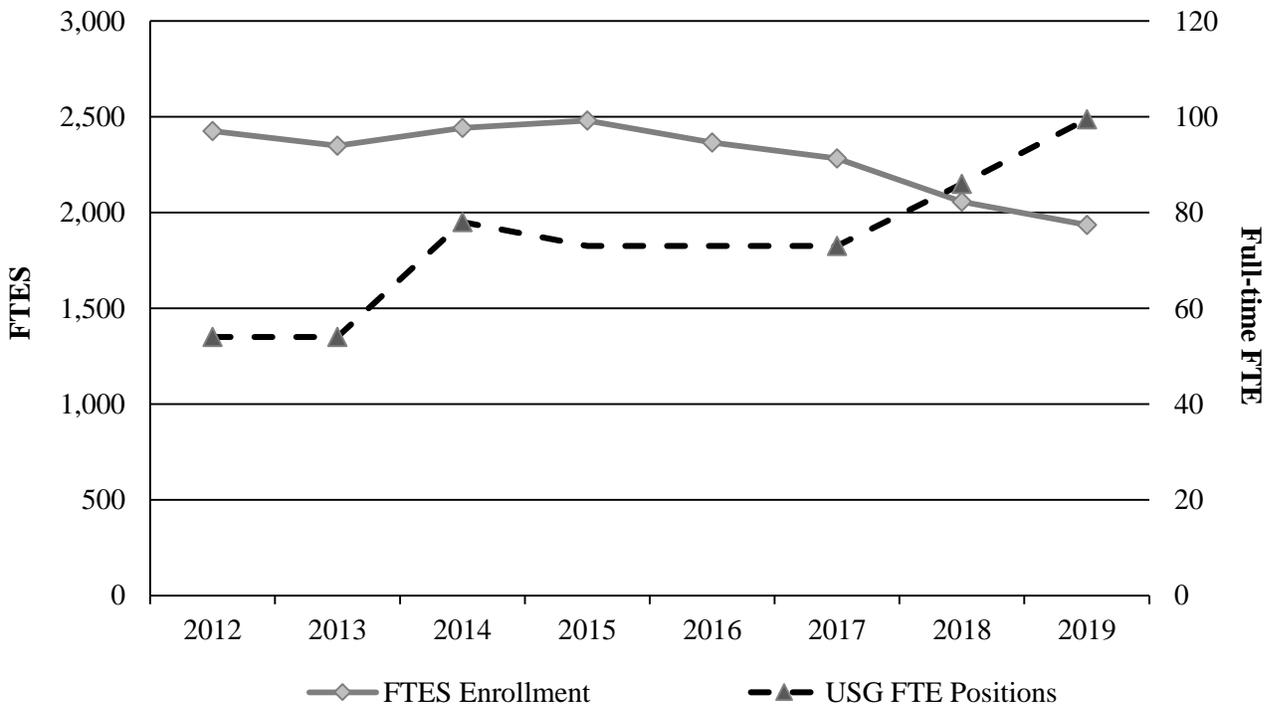
Note: Fiscal 2020 and 2021 State funds did not reflect general salary increases.

Source: University System of Maryland

Growth in Personnel

Contributing to the deficit is a 36.3%, 26.5FTE, increase in positions from fiscal 2017 to 2019. This is despite a continuing decline in enrollment. As shown in **Exhibit 8**, USG added 13.0 FTEs positions in fiscal 2018 and another 13.5 FTEs in fiscal 2019. The increase in fiscal 2018 can be attributed to the \$1.6 million in enhancement funds provided in fiscal 2017 to support the development of new, and expansion of, existing programs. However, USG used \$470,000 of these funds to hire additional staff to expand student services, resulting in student services positions comprising over 30%, or 30.8 FTEs, of USG’s total positions by fiscal 2019. In addition, 17 FTEs are related to information technology support, 12.75 FTEs are facilities related, and there are 4 FTEs each in marketing and advancement. USG’s position complement seems high considering that in fiscal 2019, USG’s campus consisted of three academic buildings.

Exhibit 8
Universities at Shady Grove Comparison of FTE Positions to FTES
Fiscal 2012-2019



FTE: full-time equivalent
 FTES: full-time equivalent students
 USG: University at Shady Grove

Source: University System of Maryland

Funding Student Services

The two- and four-year graduation rate of Maryland community college students at USG is 44% and 75%, respectively, for the 2015 cohort compared to the 14% and 57% rates at USM institutions. A reason for the success of USG students can be attributed to the amount of resources they have to support student services. As shown in **Exhibit 9**, in fiscal 2019, State funds per FTES at USG were \$10,199, exceeding that of five other institutions.

Exhibit 9
Universities at Shady Grove State Funds Per FTES
Fiscal 2014-2019

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--|--------------|--------------|--------------|--------------|--------------|---------------|
| University of Maryland, Baltimore Campus | \$30,558 | \$32,740 | \$33,807 | \$33,570 | \$33,669 | \$34,222 |
| University of Maryland, College Park Campus | 12,800 | 13,451 | 13,900 | 14,085 | 13,736 | 14,358 |
| Bowie State University | 8,683 | 8,803 | 9,543 | 9,571 | 8,792 | 9,040 |
| Towson University | 5,158 | 5,573 | 5,926 | 6,344 | 6,310 | 6,350 |
| University of Maryland Eastern Shore | 8,410 | 8,620 | 8,961 | 11,186 | 12,131 | 14,395 |
| Frostburg State University | 7,706 | 8,112 | 8,411 | 9,053 | 9,548 | 10,065 |
| Coppin State University | 15,337 | 17,003 | 18,275 | 20,009 | 20,872 | 22,089 |
| University of Baltimore | 7,224 | 7,738 | 8,333 | 9,376 | 10,026 | 11,421 |
| Salisbury University | 5,308 | 5,716 | 6,162 | 6,529 | 6,907 | 7,129 |
| University of Maryland Global Campus | 1,483 | 1,409 | 1,201 | 1,229 | 1,224 | 1,220 |
| University of Maryland Baltimore County | 9,058 | 9,511 | 9,969 | 10,668 | 10,882 | 11,611 |
| Universities at Shady Grove | 4,497 | 4,436 | 5,028 | 5,983 | 6,833 | 10,199 |

FTES: full-time equivalent students

Note: Universities at Shady Grove State funds include the \$3.3 million of Enrollment Funding Initiative funds charged to the participating institutions.

Source: University System of Maryland

A recommendation in the JCR submitted by USMO is to provide a stable source of revenues to support student services by replacing revenues from student fees with general funds. The report estimates the total to be approximately \$2.0 million, but as shown in Exhibit 7, revenues total

\$1.2 million. In addition, the report recommends increasing USG’s annual State appropriation by \$3.3 million to replace the \$3.3 million participating institutions pay to USG.

Governance

The current situation at USG is partly attributed to its governance structure. USG’s board is comprised of 35 members representing Montgomery County businesses, government, K-12, and the community college. However, it lacks representation from the institutions that provide the programs at USG, which results in a disconnection and a lack of communication between USG and the institutions. Additionally, there seemed to be a lack of oversight with neither the USG board, USMO, nor UMCP (the administering institution) managing USG to ensure the efficient use of resources and identifying potential problems such as the budget deficit. It should be noted that USMO has been working with USG over the past year to reduce and eliminate budget deficits, and communication has increased between stakeholders.

The commission established to respond to the 2019 JCR could not agree on recommendations regarding governance and instead reached agreement on a set of operating principles on which to base a leadership and governance model. These principals included:

- shared decision making (USMO, USG and participating institutions) on strategy and goals;
- clear roles and responsibilities, authorities and accountabilities (RRAA) are necessary for effective and efficiency management and USMO, USG and participating institutions should work together to document RRAA;
- develop and track annual goals with measurable plans and outcomes; and
- regular and frequent input on the needs of the community and feedback from USMO, USG, and participating institutions.

While the commission had discussion around the issue of governance, there was no discussion regarding the composition of the board. The USG board’s large size could be a hindrance in making decision in a timely manner. In looking at other regional centers across the country, governing boards tend to be smaller, 14 to 16 members, and include representatives from participating institutions.

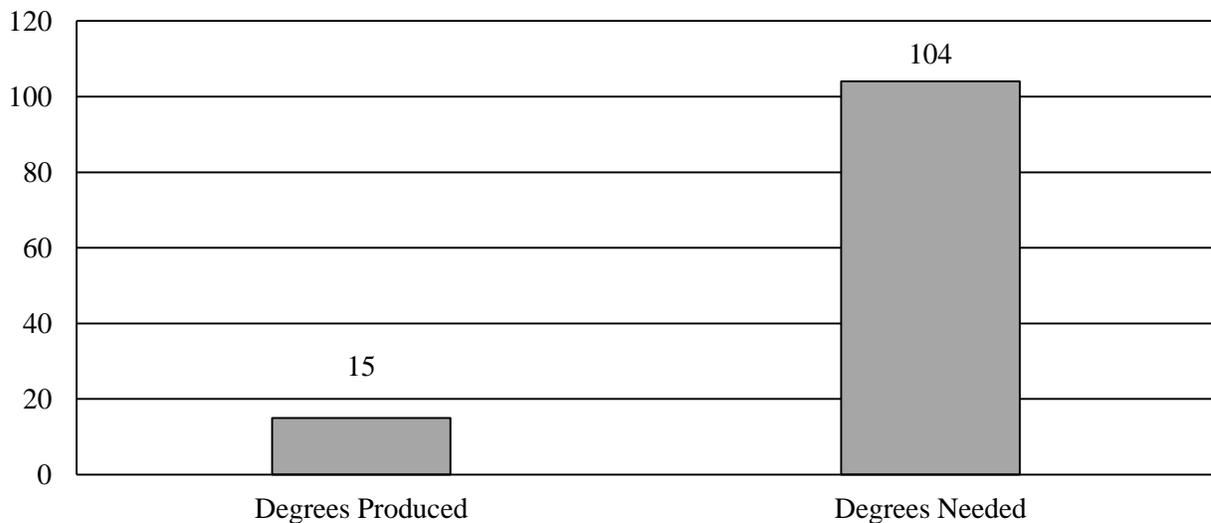
In its continuing effort to develop a sustainable financial and leadership model, USM should consider looking at other regional centers in the country to identify lessons learned and best practices. For example, at the University Center of Lake County, Illinois, 16 public and private institutions offer 120 programs. At Virginia regional centers, community colleges and four-year institutions offer programs ranging from stackable certificates to graduate programs. Although some regional centers in Virginia have, or are facing, a similar situation to USG in terms of enrollment declines and budgetary challenges, none are as dependent on State funding as USG.

The Chancellor should comment on efforts to stabilize and plans to grow enrollment, right size USG’s budget, and increase communication and collaboration between partner institutions and USG. The Chancellor should also comment on the increasing competition from online institutions and its impact regional higher education centers.

2. Workforce Development Initiative Funding at USMSM

In fiscal 2020, WDI funding totaling \$0.9 million was provided to USMSM through USMO to expand the existing USMSM undergraduate engineering program. In response to a JCR requirement, USMO produced a report on the capital needs of the Southern Maryland Higher Education Center in 2018. In this report, the projected workforce needs at the bachelor’s, master’s, and doctoral/professional level as identified by the then Department of Labor, Licensing, and Regulation were mapped against the specific degrees and programs offered by four Southern Maryland institutions: the College of Southern Maryland; St. Mary’s College of Maryland; the Waldorf Center for Higher Education; and the Southern Maryland Higher Education Center. This report identified that the annual number of engineers falls well below the needs of Southern Maryland as shown in **Exhibit 10**.

Exhibit 10
Engineers Degrees Produced and Degrees Needed
Fiscal 2018



Note: Degrees produced total is through the University of Maryland, College Park Campus’s programs at the System of Maryland at Southern Maryland.

Source: University System of Maryland

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USMSM was unable to expend the full \$0.9 million WDI funding for programmatic services. In fiscal 2020, USMSM provided just \$322,815 in direct support to the UMCP Mechanical Engineering Program at USMSM through USMO. USMSM is scheduled to continue to receive \$0.9 million in WDI funding for the engineering program in the fiscal 2021 allowance.

Since the \$0.9 million in WDI funds to be used for the engineering program exceeded the needs of the USMSM program in fiscal 2020, the Department of Legislative Services recommends reducing USMO’s budget by \$0.5 million in fiscal 2020 and \$0.3 million in fiscal 2021.

Operating Budget Recommended Actions

| | <u>Amount Reduction</u> | |
|--|------------------------------------|----|
| 1. Reduce funds to be used by the University System of Maryland Office on Workforce Development Initiatives at the University System of Maryland at Southern Maryland. | \$300,000 | UF |
| 2. Reduce funds to the University System of Maryland Office (USMO). USMO can continue savings generated from fiscal 2020 cost containment measures. | 600,000 | UF |
| Total Unrestricted Fund Reductions | \$900,000 | |

Budget Reconciliation and Financing Act Recommended Actions

1. Reduce fiscal 2020 general funds for the University System of Maryland at Southern Maryland by \$500,000 for Workforce Development Initiatives.

Appendix 1
2019 Joint Chairmen’s Report Responses from Agency

The 2019 *Joint Chairmen’s Report* (JCR) requested that the University System of Maryland Office prepare four reports. Electronic copies of the full JCR responses can be found on the Department of Legislative Services Library website.

- ***Report on One-time Funding to Support Academic Programming Related to the Biomedical Sciences and Engineering (BSE) Education Facility:*** The Universities at Shady Grove identified a list of equipment to equip laboratory spaces in BSE designed to meet the BSES program requirements. This cost-estimate for the BSES laboratory equipment totaled \$527,160, or 17.1% greater than the \$450,000 one-time funding total.
- ***Report on Any Outside Income of the Chancellor:*** This report documented the amount of outside income received by the Chancellor in fiscal 2017, 2018, and 2019. In fiscal 2017, this amount totaled \$43,794; in fiscal 2018, this amount totaled \$23; and in fiscal 2019, this amount totaled \$18,500 through the submission date of the report.
- ***Report to Review the Board of Regents Governance, Operations, and Organizational Structure:*** A report was completed by the Association of Governing Board (AGB) that provided its assessment of the governance structure of the University System of Maryland (USM) Board of Regents. This report is detailed in the USM Overview analysis.
- ***Report on Ensuring the Fiscal Viability of the Universities at Shady Grove:*** A 17-member commission was established to examine and develop a set of recommendations to meet the requirements of the report. Further discussion of this can be found in Issue 1 of this analysis.

Appendix 2
Audit Findings

| | |
|------------------------------|--------------------------------|
| Audit Period for Last Audit: | July 1, 2014 – August 19, 2018 |
| Issue Date: | September 2019 |
| Number of Findings: | 3 |
| Number of Repeat Findings: | 1 |
| % of Repeat Findings: | 33% |
| Rating: (if applicable) | n/a |

Finding 1: The University System of Maryland Office (USMO) did not ensure each University System of Maryland (USM) institution filed policies and procedures, as required, for the establishment and monitoring of its Centers and Institutes, and did not have a comprehensive listing of all such Centers and Institutes.

Finding 2: USMO had not established a policy governing the use of interagency agreements by USM institutions.

Finding 3: **Malware protection for USMO computers was not sufficient to provide adequate assurance that the computers were properly protected against malicious software.**

*Bold denotes item repeated in full or part from preceding audit report.

**Appendix 3
Proposed Budget
USM Regional Higher Education Centers**

| | <u>2019 Actual</u> | <u>2020 Budget</u> | <u>2021 Estimate</u> | <u>2020-21 Change</u> | <u>% Change Prior Year</u> |
|--|------------------------|------------------------|--------------------------|---------------------------|--------------------------------|
| University System of Maryland at Hagerstown | | | | | |
| Expenditures | | | | | |
| Salaries and Wages | \$610,769 | \$763,897 | \$763,897 | \$0 | 0.0% |
| Operating Expenses | 1,523,738 | 1,583,451 | 1,583,451 | 0 | 0.0% |
| Total Operating Expenses | \$2,134,507 | \$2,347,348 | \$2,347,348 | \$0 | 0.0% |
| State Supported Revenues | | | | | |
| General Funds | \$2,069,390 | \$2,312,348 | \$2,312,348 | \$0 | 0.0% |
| Non-State Supported | | | | | |
| Rental, Testing, and Other | \$65,117 | \$35,000 | \$35,000 | \$0 | 0.0% |
| Total Revenues | \$2,134,507 | \$2,347,348 | \$2,347,348 | \$0 | 0.0% |

University System of Maryland at Southern Maryland

| | | | | | |
|----------------------------------|--------------------|--------------------|--------------------|------------------|--------------|
| Expenditures | | | | | |
| Salaries and Wages | \$742,761 | \$905,047 | \$1,141,822 | \$236,775 | 26.2% |
| Operating Expenses | 497,598 | 1,404,133 | 1,991,000 | 586,867 | 41.8% |
| Total Operating Expenses | \$1,240,359 | \$2,309,180 | \$3,132,822 | \$823,642 | 35.7% |
| State Supported Revenues | | | | | |
| General Funds | \$512,739 | \$1,541,092 | \$2,121,092 | \$580,000 | 37.6% |
| Grants | 71,588 | 63,500 | 63,500 | 0 | 0.0% |
| Rental Income and Other Services | 648,548 | 704,588 | 948,230 | 243,642 | 34.6% |
| Transfer to/from Fund Balance | 7,484 | 0 | 0 | 0 | |
| Total Revenues | \$1,240,359 | \$2,309,180 | \$3,132,822 | \$823,642 | 35.7% |

USM: University System of Maryland

Note: Universities at Shady Grove budget is included in Issue 1. Fiscal 2020 and 2021 State funds do not reflect general salary increases.

**Appendix 4
Object/Fund Difference Report
University System of Maryland Office**

| <u>Object/Fund</u> | <u>FY 19 Actual</u> | <u>FY 20 Working Appropriation</u> | <u>FY 21 Allowance</u> | <u>FY 20 - FY 21 Amount Change</u> | <u>Percent Change</u> |
|---|-------------------------|--|----------------------------|--|---------------------------|
| Positions | | | | | |
| 01 Regular | 110.00 | 110.00 | 111.00 | 1.00 | 0.9% |
| 02 Contractual | 8.50 | 5.00 | 5.00 | 0.00 | 0% |
| Total Positions | 118.50 | 115.00 | 116.00 | 1.00 | 0.9% |
| Objects | | | | | |
| 01 Salaries and Wages | \$ 15,764,141 | \$ 17,056,122 | \$ 17,337,634 | \$ 281,512 | 1.7% |
| 02 Technical and Spec. Fees | 30,462 | 24,585 | 18,000 | -6,585 | -26.8% |
| 03 Communication | -739,638 | 420,554 | 420,554 | 0 | 0% |
| 04 Travel | 264,891 | 230,793 | 230,793 | 0 | 0% |
| 06 Fuel and Utilities | 719,249 | 0 | 0 | 0 | 0.0% |
| 07 Motor Vehicles | 6,710 | 18,180 | 18,540 | 360 | 2.0% |
| 08 Contractual Services | 2,498,869 | 3,207,628 | 3,878,537 | 670,909 | 20.9% |
| 09 Supplies and Materials | 167,354 | 168,719 | 168,719 | 0 | 0% |
| 11 Equipment – Additional | 5,795 | 36,434 | 1,008,934 | 972,500 | 2669.2% |
| 12 Grants, Subsidies, and Contributions | 827,401 | 1,201,355 | 1,701,355 | 500,000 | 41.6% |
| 13 Fixed Charges | 18,898,707 | 27,174,661 | 29,633,854 | 2,459,193 | 9.0% |
| 14 Land and Structures | 9,153 | 266,146 | 266,146 | 0 | 0% |
| Total Objects | \$ 38,453,094 | \$ 49,805,177 | \$ 54,683,066 | \$ 4,877,889 | 9.8% |
| Funds | | | | | |
| 40 Unrestricted Fund | \$ 37,177,256 | \$ 47,805,177 | \$ 52,683,066 | \$ 4,877,889 | 10.2% |
| 43 Restricted Fund | 1,275,838 | 2,000,000 | 2,000,000 | 0 | 0% |
| Total Funds | \$ 38,453,094 | \$ 49,805,177 | \$ 54,683,066 | \$ 4,877,889 | 9.8% |

Note: The fiscal 2020 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2021 allowance does not include contingent reductions or cost-of-living adjustments.

**Appendix 5
Fiscal Summary
University System of Maryland Office**

| <u>Program/Unit</u> | <u>FY 19 Actual</u> | <u>FY 20 Wrk Approp</u> | <u>FY 21 Allowance</u> | <u>Change</u> | <u>FY 20 - FY 21 % Change</u> |
|-----------------------------|-------------------------|-----------------------------|----------------------------|---------------------|-----------------------------------|
| 04 Academic Support | \$ 20,158,665 | \$ 27,951,034 | \$ 30,873,836 | \$ 2,922,802 | 10.5% |
| 06 Institutional Support | 18,294,429 | 21,854,143 | 23,809,230 | 1,955,087 | 8.9% |
| Total Expenditures | \$ 38,453,094 | \$ 49,805,177 | \$ 54,683,066 | \$ 4,877,889 | 9.8% |
| Unrestricted Fund | \$ 37,177,256 | \$ 47,805,177 | \$ 52,683,066 | \$ 4,877,889 | 10.2% |
| Restricted Fund | 1,275,838 | 2,000,000 | 2,000,000 | 0 | 0% |
| Total Appropriations | \$ 38,453,094 | \$ 49,805,177 | \$ 54,683,066 | \$ 4,877,889 | 9.8% |

Note: The fiscal 2020 appropriation does not include deficiencies, targeted revenues, or across-the-board reductions. The fiscal 2021 allowance does not include contingent reductions or cost-of-living adjustments.